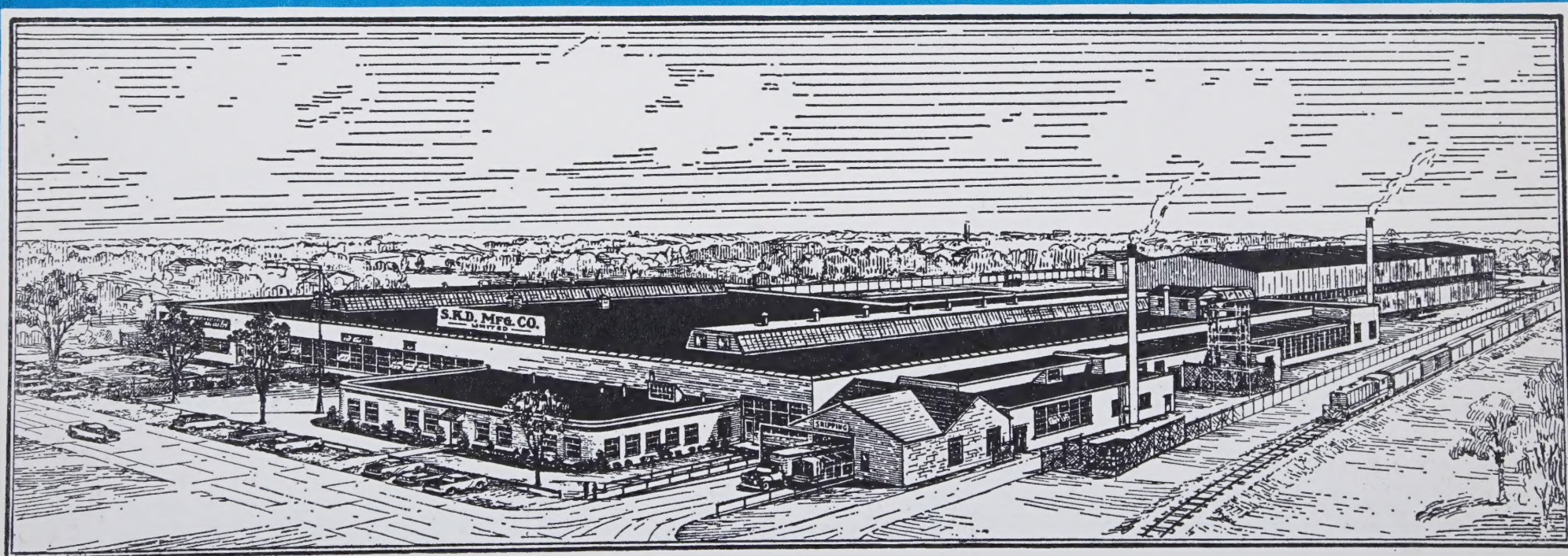


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S.K.D. *Manufacturing Co. Limited*

24th ANNUAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30th, 1966



BOARD OF DIRECTORS

J. ARTHUR DUPONT	— Partner, Craig, Forget & Co. Limited. Montreal, P.Q.
WILLIAM T. GRANT	— President, Grant & Mingay Insurance Limited. Windsor, Ontario.
GORDON J. KNIGHT	— President, S.K.D. Manufacturing Co. Limited. Amherstburg, Ontario.
WALTER L. MCGREGOR, Q.C.	— McGregor & McWilliams, Barristers & Solicitors, Windsor, Ontario.
J. L. STEWART, Q.C.	— Fraser, Beatty, Tucker, McIntosh & Stewart, Barristers & Solicitors, Toronto, Ontario.
JOHN C. STODGELL	— President, Walwyn, Stodgell & Co. Limited. Toronto, Ontario.
ROSS M. WILLMOTT	— President, Traders Group Limited. Toronto, Ontario.

OFFICERS

GORDON J. KNIGHT	— President
WALTER L. MCGREGOR, Q.C.	— Vice-President
D. ALLAN ROBERTS	— Secretary-Treasurer

AUDITORS

Meanwell, Goodwin & Co., Chartered Accountants, Windsor, Ontario.

BANKERS

Bank of Nova Scotia, Windsor, Ontario.

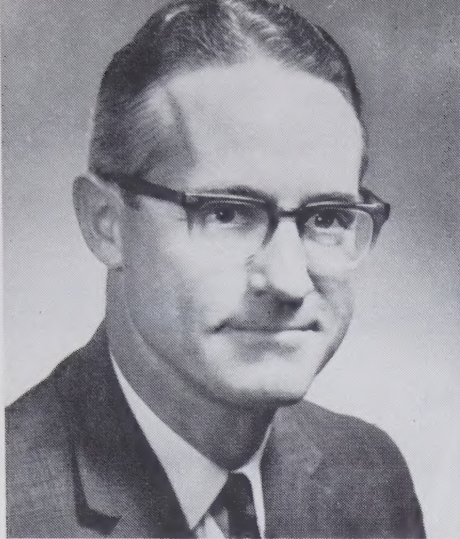
Canadian Imperial Bank of Commerce, Amherstburg, Ontario.

National Bank of Detroit, Detroit, Michigan.

TRANSFER AGENTS, REGISTRARS and TRUSTEES

First Mortgage Bonds	}	— Canada Trust, Huron & Erie, Toronto, Ontario.
6% Debentures		
General Mortgage Bonds		— Royal Trust Company, Toronto, Ontario.
First Preference Shares		— Eastern & Chartered Trust Company, Toronto, Ontario.
Second Preference Shares		— Crown Trust Company, Toronto, Ontario.
Common Shares		— Eastern & Chartered Trust Company, Toronto, Ontario.

Common Shares listed on Toronto Stock Exchange



Gordon J. Knight, President

DIRECTORS' LETTER TO SHAREHOLDERS

GENERAL

The fiscal year ended September 30th, 1966, was the second most profitable in the history of our Company. A further expansion was completed during the year, to broaden the Company's participation under the Automotive Free Trade Agreement.

SALES AND EARNINGS

Total Sales were the highest in the Company's history, being 23.5% greater than in the previous year 1965. Net profit after taxes, however, declined 1% to \$327,791 compared with \$331,336 in 1965. Net earnings per common share, after provision for dividends on preferred shares, totalled \$1.11 compared with \$1.14 per share in 1965.

Many factors contributed to a lower profit margin on sales. Wage rates and fringe benefits were increased to record levels in the terms of our new Collective Agreement with the employees signed in October 1965. A brief strike which occurred at the plant during a critical period of production last fall created heavy overtime costs. Fixed costs generally were higher and we experienced lower prices for steel scrap. There was also a delay in the delivery of new equipment resulting in additional expense.

Your Management is very aware of the serious increases in the costs of production that have occurred during the past year. Every effort is being made to improve efficiency so that a reasonable margin of profit can be maintained.

DIVIDENDS

Dividends of \$92,956 were paid, consisting of the regular quarterly dividends on the first preference shares, regular quarterly and participating dividends on the second preference shares, and four dividends of 5¢ each on the common shares, plus an extra dividend of 5¢ per common share paid on September 1st. The Company expects to continue to pay quarterly dividends of 5¢ on the common shares.

FINANCIAL POSITION

This year marked the largest capital spending programme in the Company's history. Expenditures on capital equipment amounted to \$815,566, 38% higher than in 1965. Working capital at the end of the year decreased to \$761,445 from \$797,177 in 1965. This was due in part to the repayment of \$203,650 on outstanding chattel mortgages. During the year the company arranged a loan of \$750,000 from the Federal Government's Adjustment Assistance Board to assist in the financing of the 1966 plant expansion.

FIXED ASSETS ADDED

Four large presses were installed, and a high bay building 70' wide and 168' long was completed in September. One additional large press which was ordered to complete line #5 is expected to be operating by January, 1967.

A further expansion programme amounting to \$1,600,000 has been approved by your Board. This will be the sixth and largest plant addition made by the Company during the past 6 years, and completion is scheduled for May of 1968. Partial financing has been arranged through the Federal Government's Adjustment Assistance Board upon favourable terms.

PERSONNEL

Total employment now stands at approximately 275, 8% higher than last year. The Collective Agreement between the Company and the International Association of Machinists continues in force until October 23rd, 1968.

DIRECTORS

At a special meeting, held April 7th, 1966, the Shareholders approved an increase in the number of Directors from 6 to 7, and J. L. Stewart, Q.C. of Fraser, Beatty, Tucker, McIntosh & Stewart, Barristers & Solicitors, Toronto, was elected a Director. Mr. Stewart's broad experience will be of great value to the Company.

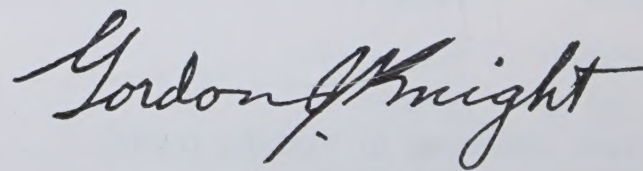
OUTLOOK

Your Management shares the optimism expressed by spokesmen for the Automobile Companies and based on current orders we anticipate a substantial increase in sales in 1967.

Production is at capacity level and, although there is still some uncertainty concerning the realignment of our main customers' purchasing programmes, the prospect for your Company under the Canada-U.S.A. Free Trade Agreement appears favourable. Some orders have already been booked for parts for the 1968 model cars and tooling is under way. Production on these parts will commence in May of 1967.

Your Directors wish to express their deep appreciation and thanks to our employees for their loyal and dedicated efforts in behalf of the Company, to our stockholders for their support, and to our customers for their continued patronage.

Respectfully submitted on behalf of the Board of Directors.



GORDON J. KNIGHT,
President.

December 1st, 1966.
Amherstburg, Ontario.

S.K.D. MANUFACTURING CO. LIMITED

Amherstburg, Ontario

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended September 30, 1966

(with comparative information for 1965)

Source of Funds:

	1966	1965
From operations:		
Net profit	\$ 327,791	\$ 331,336
Depreciation	235,619	220,721
Deferred income taxes	111,000	113,000
	<hr/>	<hr/>
Proceeds of issue of common shares	\$ 674,410	\$ 665,057
Proceeds of sale of investments	5,835	8,161
Long-term borrowing		33,382
Book value of fixed assets sold	614,533	225,000
Sundry	31,292	568
	3,723	3,646
	<hr/>	<hr/>
	\$1,329,793	\$ 935,814
	<hr/>	<hr/>

Application of Funds:

Purchases of fixed assets	\$ 815,566	\$ 591,664
Dividends paid	92,956	79,150
Provision for and payments made on long-term debt	450,350	83,812
Purchase of own preference shares for cancellation	6,653	7,462
	<hr/>	<hr/>
	\$1,365,525	\$ 762,088
	<hr/>	<hr/>
Increase (decrease) in working capital	\$ (35,732)	\$ 173,726
	<hr/>	<hr/>
Working capital at end of year	\$ 761,445	\$ 797,177
	<hr/>	<hr/>

S.K.D. MANUFACTURING CO. LIMITED

Amherstburg, Ontario

CONSOLIDATED STATEMENT OF PROFIT AND LOSSFor the year ended September 30, 1966
(with comparative information for 1965)

	1966	1965
Operating profit before depreciation.....	\$ 750,395	\$ 802,767
Deduct: Depreciation	235,619	220,721
	<hr/>	<hr/>
Operating profit	\$ 514,776	\$ 582,046
Add: Gain on sale of fixed assets.....		2,470
Gain on retirement of long-term debt.....	2,731	3,271
	<hr/>	<hr/>
	\$ 517,507	\$ 587,787
	<hr/>	<hr/>
Deduct: Interest on long-term debt.....	\$ 67,956	\$ 68,804
Amortization of bond discount.....	2,760	3,647
	<hr/>	<hr/>
	\$ 70,716	\$ 72,451
	<hr/>	<hr/>
Net profit before income taxes.....	\$ 446,791	\$ 515,336
	<hr/>	<hr/>
Provision for income taxes		
Taxes payable for current year.....	\$ 8,000	\$ 71,000
Deferred income taxes.....	111,000	113,000
	<hr/>	<hr/>
	\$ 119,000	\$ 184,000
	<hr/>	<hr/>
Net profit for the year.....	\$ 327,791	\$ 331,336
	<hr/> <hr/>	<hr/> <hr/>

S.K.D. MANUFACTURING COMPANY(A Public Company incorporated under the laws of the State of New York)
Amherstburg, Ontario, Canada**CONSOLIDATED BALANCE SHEET**

As at September 30, 1966 (with comparative figures for 1965)

ASSETS**Current Assets:**

		1966	1965
Cash		\$ 13,046	\$ 179,618
Accounts receivable		606,483	532,242
Amounts receivable as proceeds of long-term borrowing		354,332	
Inventories—valued at cost or net realizable value, whichever lower:			
Raw materials	\$ 600,017		
Work in process	168,498		
Finished goods	82,954		
Supplies	12,695	864,164	979,905
Deposits and prepaid expenses		11,839	11,892
		<u>\$1,849,864</u>	<u>\$1,703,657</u>

Fixed Assets—at depreciated values determined as at September 30, 1955 by Warnock Hersey Company Ltd. plus subsequent additions at cost:

Land	\$ 44,634		
Buildings	\$ 804,372		
Less: Accumulated depreciation	222,609	581,763	
Machinery and equipment	\$3,096,586		
Less: Accumulated depreciation	1,385,447	1,711,139	2,337,536
			1,788,882

Other Assets:

Unamortized bond discount	\$ 22,775		
Sinking fund cash	297	23,072	26,794

Approved on behalf of the Board:

GORDON J. KNIGHT, Director

WALTER L. MCGREGOR, Director

\$4,210,472\$3,519,333

RING CO. LIMITED

r the laws of the Province of Ontario)
g, Ontario

BALANCE SHEET

comparative information for 1965)

LIABILITIES AND CAPITAL

Current Liabilities:

	1966	1965
Bank loans (secured by accounts receivable and inventories).....	\$ 430,000	\$ 145,000
Accounts payable and accrued expenses.....	423,370	657,476
Dividends payable.....		27,707
Estimated liability for income taxes.....		8,632
Other taxes payable.....	16,049	13,665
Portion of long-term debt due within one year.....	219,000	54,000
	<u>\$1,088,419</u>	<u>\$ 906,480</u>

Long-term debt (see Note 1).....	\$1,430,167	
Less: Portion due within one year, included in current liabilities.....	219,000	
	<u>\$1,211,167</u>	<u>\$1,046,984</u>

Deferred income taxes (see Note 2).....	\$ 564,000	\$ 453,000
---	------------	------------

Capital and Surplus:

Capital (see Note 3):		
6% cumulative redeemable sinking fund first preference shares of \$10 each par value with 25 votes each redeemable at \$10.50 (authorized 50,000 shares less 6,785 redeemed)		
Issued—23,905 shares fully paid.....	\$ 239,050	\$ 239,800
6¼% cumulative participating second preference shares of \$20 each par value redeemable at \$21 (authorized 8,184 shares less 1,173 redeemed)		
Issued—7,011 shares fully paid.....	140,220	146,420
Common shares without nominal or par value (authorized 450,000 shares)		
Issued—271,850 shares fully paid (including 2,100 shares issued in 1966 for \$5,835 cash).....	141,528	135,693
	<u>\$ 520,798</u>	<u>\$ 521,913</u>

Surplus:

Retained earnings—unappropriated.....	\$ 779,122	
—appropriated for sinking fund reserve.....	29,460	
Contributed surplus.....	17,506	
	<u>\$1,346,886</u>	<u>\$1,112,869</u>
	<u>\$4,210,472</u>	<u>\$3,519,333</u>

S.K.D. MANUFACTURING CO. LIMITED

Amherstburg, Ontario

CONSOLIDATED STATEMENTS OF SURPLUSFor the year ended September 30, 1966
(with comparative information for 1965)

Retained Earnings:	1966	1965
Unappropriated:		
Net profit for the year	\$ 327,791	\$ 331,336
Less: Dividends on first preference shares	14,373	14,478
Dividends on second preference shares	10,803	10,722
	<hr/>	<hr/>
Net profit available for common shares	\$ 302,615	\$ 306,136
Less: Dividends on common shares	67,780	53,950
	<hr/>	<hr/>
Portion of net profit retained	\$ 234,835	\$ 252,186
Add: Balance of unappropriated retained earnings at beginning of year	549,083	277,351
Proceeds of sale of investments previously written off		33,382
	<hr/>	<hr/>
	\$ 783,918	\$ 562,919
Less: Goodwill written off		9,000
Transfer to sinking fund reserve	4,796	4,836
	<hr/>	<hr/>
Balance at end of year	\$ 779,122	\$ 549,083
	<hr/>	<hr/>
Appropriated for sinking fund reserve:		
Balance at beginning of year	\$ 24,664	\$ 19,828
Add: Amount transferred from unappropriated retained earnings	4,796	4,836
	<hr/>	<hr/>
Balance at end of year	\$ 29,460	\$ 24,664
	<hr/>	<hr/>
Contributed Surplus:		
Balance at beginning of year	\$ 17,209	\$ 16,831
Add: Gain on purchase of own preference shares for cancellation	297	378
	<hr/>	<hr/>
Balance at end of year	\$ 17,506	\$ 17,209
	<hr/>	<hr/>

S.K.D. MANUFACTURING CO. LIMITED

Amherstburg, Ontario

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 1966

	1966	1965
NOTE 1: LONG-TERM DEBT:		
(a) Loans secured by chattel mortgages on machinery, repayable in equal monthly payments, including interest, ending in 1973.....	\$ 135,134	\$ 363,984
(b) Bonds and debentures:		
5¼% first mortgage sinking fund bonds due December 1, 1975 (authorized \$500,000; total issued \$500,000).....	331,500	366,000
5½% general mortgage sinking fund bonds due December 1, 1980 (authorized \$500,000; total issued \$350,000).....	236,000	247,500
6% sinking fund debentures due December 1, 1985 (closed issue; originally issued \$178,955)	113,000	123,500
6% debentures due September 15, 1971 to the Canadian Government's Adjustment Assistance Board, secured by mortgage on fixed assets owned and to be acquired, subject to prior rights of holders of chattel mortgages and mortgage bonds (total amount to be advanced under agreement \$750,000; advances approved to date \$614,533)	614,533	
	<u>\$1,430,167</u>	<u>\$1,100,984</u>

Sinking fund and retirement provisions of agreements with respect to long-term debt require the Company to make the following aggregate amounts of principal payments in the next ten years:

1967	\$219,000	1972	\$ 85,000
1968	212,000	1973	84,000
1969	216,000	1974	68,000
1970	220,000	1975	70,000
1971	224,000	1976	26,000

NOTE 2: DEPRECIATION AND DEFERRED INCOME TAXES:

The Company employs a method of computing depreciation which is designed to charge the cost of fixed assets to income over the useful life of the assets on a straight-line basis. Because of annual differences between depreciation calculated on this basis and allowances claimed for income tax purposes, at September 30, 1966 the undepreciated cost of depreciable fixed assets exceeded the amount available as future deductions for tax purposes by approximately \$1,084,000. Deferred Income Taxes account represents the tax liability expected to become due in future years when depreciation charged against income will exceed the allowances deductible for income tax purposes. Of the tax provision of \$119,000 for 1966, \$111,000 is deferred to future years.

S.K.D. MANUFACTURING CO. LIMITED

Amherstburg, Ontario

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 1966

NOTE 3: CAPITAL:

The provisions of the supplementary letters patent relating to the 6% First Preference shares require the Company on or before January 28, 1967 to set aside on its books to the credit of a sinking fund reserve account an amount of \$4,781. No further purchases or redemption of First Preference shares are required in 1967 to meet sinking fund requirements.

The indentures securing the 5¼% first mortgage bonds and the 5½% general mortgage bonds provide that the Company may not effect any reduction of or redeem any of its capital nor declare any dividends on any shares of its capital stock should the net current assets be less than or be reduced thereby below \$200,000.

The agreement securing the 6% debentures due to the Adjustment Assistance Board provides that the Company may not, without consent of the lender, pay dividends on its common shares in excess of \$.25 per annum or pay special taxes on undistributed income under the provisions of Section 105 of The Income Tax Act (Canada).

NOTE 4: REMUNERATION OF DIRECTORS:

Apart from their remuneration for services as officers and employees the remuneration of directors as such amounted to \$4,400 in the year ended September 30, 1966; \$3,000 in the year 1965.

NOTE 5: COMMITMENTS:

Commitments for additions to fixed assets, not reflected in the financial statements, amounted to \$181,000 as at September 30, 1966; \$548,000 at September 30, 1965. Undrawn balances of long-term borrowing arranged and available to finance these additions, not reflected in the financial statements, amounted to \$135,467 at September 30, 1966; nil at September 30, 1965.

NOTE 6: STOCK OPTIONS:

The Company has given options to four of its officers and employees to purchase a total of 9,750 of its common shares at prices equivalent to 85% of the market value on the day that the options were accepted for filing by the Toronto Stock Exchange. In accordance with this provision 9,000 shares may be purchased at a price of \$2.76 per share and 750 shares at a price of \$2.89 per share. Shares issued to date under these agreements amount to 6,800 shares at \$2.76 per share and 450 shares at \$2.89 per share.

NOTE 7: SUBSIDIARY:

Included in the consolidated financial statements of the Company are the accounts of Automated Stampings Limited, a wholly-owned subsidiary whose function is to manufacture parts for S.K.D. Manufacturing Co. Limited. Under the provisions of The Income Tax Act and The Corporations Tax Act of Ontario relating to new manufacturing businesses in designated areas, the earnings from Automated Stampings Limited are exempt from income taxes for a three year period ending September 30, 1967. As a result of the exemptions, consolidated net income, after provision for income taxes, is higher than would otherwise be the case by an amount of \$104,000 in 1966 and \$75,000 in 1965.

AUDITORS' REPORT TO SHAREHOLDERS

October 25, 1966.

The Shareholders,
S.K.D. Manufacturing Co. Limited,
Amherstburg, Ontario.

Dear Sirs:

We have examined the consolidated balance sheet of S.K.D. Manufacturing Co. Limited and its subsidiary company as at September 30, 1966 and the related consolidated statements of profit and loss, surplus and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and related consolidated statements of profit and loss, surplus and source and application of funds present fairly the financial position of S.K.D. Manufacturing Co. Limited and its subsidiary as at September 30, 1966 and the results of their operations for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

MEANWELL, GOODWIN & CO.,
Chartered Accountants,
Windsor, Ontario.

S.K.D. MANUFACTURING CO. LIMITED

Amherstburg, Ontario

TEN YEAR FINANCIAL SUMMARY

PROFIT AND RETAINED EARNINGS	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957
Profit before depreciation and income taxes	\$ 682,410	\$ 736,057	\$ 663,289	\$ 417,575	\$ 282,158	\$ 223,111	\$ 169,640	\$ 268,884	\$ 200,524	\$ 228,606
Depreciation	235,619	220,721	180,725	151,210	133,074	127,961	133,976	113,173	82,938	109,590
Income taxes	119,000	184,000	240,000	121,000	60,000	46,000	19,500	85,700	63,000	60,000
Net Profit	\$ 327,791	\$ 331,336	\$ 242,564	\$ 145,365	\$ 89,084	\$ 49,150	\$ 16,164	\$ 70,011	\$ 54,586	\$ 59,016
Cash Dividends paid—Preferred	25,176	25,200	24,785	24,024	26,465	27,788	27,788	28,095	21,251	28,490
—Common	67,780	53,950	26,680	—	—	—	—	—	—	—
Profit retained	\$ 234,835	\$ 252,186	\$ 191,099	\$ 121,341	\$ 62,619	\$ 21,362	\$ (11,624)	\$ 41,916	\$ 33,335	\$ 30,526
Net Profit per common share	1.11	1.14	.82	.46	.29	.10	(.05)	.20	.16	.15
Number of common shares outstanding	271,850	269,750	266,800	264,600	214,600	214,600	214,600	214,600	214,600	214,600

FINANCIAL POSITION, YEAR END

Working Capital	\$ 761,445	\$ 797,177	\$ 623,451	\$ 509,889	\$ 324,105	\$ 353,657	\$ 346,123	\$ 418,601	\$ 360,515	\$ 324,313
Plant and Equipment—net	2,337,536	1,788,882	1,418,506	1,303,296	877,887	873,667	883,957	847,003	894,732	915,955
Long-Term Debt and Deferred Taxes	1,775,167	1,499,984	1,245,796	1,221,262	646,655	675,055	703,755	730,955	757,605	776,555
Shareholders Equity	1,346,886	1,112,869	835,602	644,361	620,780	619,762	598,400	610,024	599,161	608,826

1958 Represents Nine Months only as Fiscal Year-End
changed from December 31st to September 30.

S.K.D. MANUFACTURING CO. LIMITED

Amherstburg, Ontario

PLANT DATA

PROPERTY

Seven Acres.

BUILDINGS

All single storey, constructed of cement blocks and metal siding, total floor area 120,000 square feet, fully protected by an automatic sprinkler system.

PUNCH PRESS DEPARTMENT

Forty modern presses ranging from 25 to 600 ton capacity, plus two 1000 ton double action deep draw presses equipped with air cushions, coil feeds, and automation devices, capable of producing stampings up to 72" x 120" x 24" deep.

OTHER EQUIPMENT

Welders, broaches, tapping, drilling, and rivetting machines. Zinc plating, bonderizing, and painting.

TOOL ROOM EQUIPMENT

Vertical hydro-tel mills, 4" horizontal boring mill, lathes, grinders, heat-treating furnaces, etc.

PRINCIPAL PRODUCTS MANUFACTURED

INDIVIDUAL STAMPINGS

Radiator supports, seat pans, door pillars, stone shields, dash and cowl panels, timing chain covers, lower suspension arms, body and chassis parts.

ASSEMBLIES

Seat adjusters, hood and luggage compartment hinges, clutch and brake pedals, door locks, remote and locking controls, clutch forks.

DIES

Tools and dies weighing up to 20,000 pounds.

MACHINE WORK

Machining, hydro-tel milling, horizontal boring, grinding and jig boring.

